

ORIGINAL

Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Federal-State Joint Board on) CC Docket No. 96-45
Universal Service)

To: The Joint Board

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REPLY COMMENTS OF BELL ATLANTIC¹

Bell Atlantic supports the thrust of the proposals of the United States Telephone Association and NYNEX to provide the telecommunications facilities that elementary and secondary ("K-12") schools and libraries require to afford students access to the Internet and the National Information Infrastructure ("NII").² Bell Atlantic has developed a somewhat similar comprehensive education initiative that would provide telecommunications services to all schools that demonstrate that they can effectively use those services for Internet/NII access. This proposal, which is detailed in Appendix A, would provide telecommunications services to schools that submit a plan to a designated state official that includes such a demonstration.

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

² *See* Comments of the United States Telephone Association at 6-10, Comments of NYNEX Corp. at 18-23.

Funding for this program would come from a small monthly surcharge on end user bills.³ The Joint Board and the Commission should prescribe the minimum criteria that the schools' plans must meet to be eligible for funding, as specified in Appendix A.

In initial comments, Bell Atlantic proposed to give states, rather than a separate federally-chartered or approved organization, the authority to distribute federal universal service funds.⁴ This concept drew broad support from a number of parties.⁵ States that have intrastate universal service fund distribution mechanisms already in place will find that adding the interstate funds to that process will be simple and inexpensive. Moreover, by adopting Bell Atlantic's criterion that universal service funds should be available only to high-cost states,⁶ rather than the existing arrangement in which high-cost local exchange carriers ("LECs") within otherwise low-cost states may receive subsidies, the Commission can better target interstate funds and simultaneously reduce the current Universal Service Fund. Targeting interstate funds to high-cost states would allow the state commissions to determine, within their respective jurisdictions, the eligible carriers for federal universal service subsidies. States are sensitive to specific local needs, and state distribution will enable them to target funds to LECs in needy

³ Carriers would also provide service at discount rates, subject to the reimbursement provisions of the statute. *See* 47 U.S.C. § 254(h)(1)(B)(i).

⁴ Comments of Bell Atlantic at 10.

⁵ Several state public service commissions and NARUC strongly supported state distribution of the interstate funds. *See, e.g.*, Comments of the Georgia Public Service Commission at 3, Comments of the New York State Department of Public Service at 10-11. State distribution also received support from such diverse parties as MCI Telecommunications Corp. (at 12), Time Warner (at 23), and Southern New England Telephone Company (at 9).

⁶ Comments of Bell Atlantic at 8-10.

areas. By focusing subsidy funds on high-cost states rather than the costs incurred by individual LECs, Bell Atlantic's proposal would encourage operating efficiency by removing the existing disincentive for some rate of return LECs to reduce their costs, because they would no longer automatically receive federal funds.⁷

The Joint Board and the Commission should reject the proposals of some interexchange carriers to reduce access charges in this proceeding.⁸ AT&T argues that the price of interexchange access services should be set at total service long-run incremental costs ("TSLRIC") and that pricing any access service above TSLRIC is unnecessary to support universal service.⁹ As Bell Atlantic pointed out in its initial comments, access charges historically have contributed significantly to covering the joint and common costs of operating the LECs' ubiquitous networks, and by doing so have helped to keep local rates low -- in many instances substantially so.¹⁰ The proper place to address changes to the entire access charge pricing structure is the Commission's forthcoming access charge reform proceeding, which Bell

⁷ Price cap LECs, whose earnings are decoupled from costs, already have a substantial incentive to make their operations more efficient.

⁸ *See e.g.*, Comments of AT&T Corp. ("AT&T") at 4-8, MCI Comments at 6.

⁹ AT&T at 6-7, citing 47 U.S.C. § 252(d)(1). *See also* 47 U.S.C. § 254(e).

¹⁰ Bell Atlantic Comments at 4-5.

Atlantic and many other parties strongly support.¹¹ In the event the Commission chooses to address the issue here, however, it should deny the proposals.¹²

AT&T and MCI ignore the fact that access charges have been established to recover specific sets of actual costs that the LECs have incurred and that the Commission has defined in Parts 36 and 69 of its Rules. As the Commission itself has recently confirmed, an incremental cost pricing approach “will not recover the total costs of the network.”¹³ Moreover, in establishing pricing policies for expanded interconnection, the Commission found that “it would not be reasonable to require the LECs to base their connection charges only on the direct costs of those services, with no loadings for overhead costs.”¹⁴ Even AT&T itself has acknowledged that “TSLRIC pricing of services that share fixed facilities may, under some circumstances, result in large-scale under-recovery of facilities costs.”¹⁵ In addition to covering overhead costs, however, the access rates must also reimburse the LECs for the historical costs of the plant installed to meet regulatory provider of last resort obligations. Accordingly, the

¹¹ AT&T, LCI International, Alaska Telephone Association, Citizens Utility, the New York Department of Public Service, and GTE, and several regional Bell operating companies, among others, all urge an expeditious access reform proceeding.

¹² Capital recovery issues, that several parties addressed in their comments, are not appropriately addressed in this proceeding. *See e.g.*, Comments of NECA at 10-11; BellSouth at n.10 and Att., n. 24; SBC Communications at n.4 and 23-25.

¹³ ***Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers, Notice of Proposed Rulemaking***, CC Docket No. 95-185 at ¶ 48 (rel. Jan. 11, 1996).

¹⁴ ***Expanded Interconnection with Local Telephone Company Facilities***, 7 FCC Rcd 7369, 7429, n.291 (1992).

¹⁵ AT&T *Ex Parte* submission at 50 (filed Mar. 21, 1996).

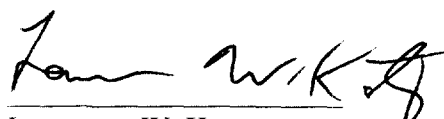
Commission should deny the requests to price access charges at TSLRIC as inconsistent with Commission policy and as causing substantial under-recovery of relevant costs.

Respectfully Submitted,

**The Bell Atlantic Telephone
Companies**

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Bell Atlantic's NII Education Initiative

The education initiative outlined below will provide the level of funding needed for elementary and secondary ("K-12") schools and libraries to procure the telecommunications services that they need to connect to the Internet and the National Information Infrastructure ("NII"). It will also ensure that schools that receive such services have shown the ability and willingness to use those facilities for Internet access.

Each K-12 school that wishes to participate in the NII Education Initiative ("NEI") will submit a proposal to a trustee in the state designated for this purpose. This may be the state's Department of Education. These proposals will include a list of the telecommunications services required to provide Internet access. Such services may include high-capacity data services, digital network services (such as ISDN), or dialtone lines that are used to provide Internet access and other NII services. The proposal must also include a plan to provide or acquire from appropriate sources the computers and curricular software, inside wiring, and any local area networks that are needed to support at least a "computer lab" arrangement as outlined in the ***KickStart Initiative***.¹

In its proposal, each school will submit a budget for each of the overall plan elements. The proposal should include the source of funds for the non-telecommunications service portions. Carriers providing the telecommunications services would charge the schools

¹ United States Advisory Council on the National Information Infrastructure, ***KickStart Initiative*** (1996) at 92.

and libraries discount rates for the services they provide.² The schools will not be limited to using any one telecommunications provider but may obtain services offered by any provider or providers that are authorized to provide the requested services. Procurement of telecommunications and other services and products under the plan is to be conducted in accordance with appropriate state or local procurement practices.

The trustee in each state will review the plans to determine if they meet a minimum set of criteria established by the Joint Board and the Commission. These criteria should state that each plan must include, at a minimum, showings that the telecommunications services will be used for Internet access and that the telecommunications facilities requested are appropriate to the scope of the school's overall plan. Once the trustee approves any school's plan, that school will be eligible for funding. The trustee will release to each such school sufficient funds (that have been received from the federal NEI support fund) to pay the non-recurring and first year's recurring charges for the telecommunications services in the approved proposal. Upon receipt of the funds, the school will be required to order the requested telecommunications services and to conduct teacher training as specified in its plan. The schools will pay the carriers directly for their telecommunications services. Upon a showing that the school has implemented the plan as proposed, the trustee would release subsequent years' funds for recurring telecommunications charges, as well as funds to support the non-recurring charges for any additional telecommunications services requested in a compliant amended proposal.

² The carriers would recover the differential pursuant to the reimbursement mechanism specified in the statute. *See* 47 U.S.C. § 254(h)(1)(B)(i).

Funds needed to subsidize the telecommunications services in each state will be transferred to the trustee in that state from the NEI support fund. That fund will be financed by a monthly surcharge on each telecommunications bill rendered to an end user by a telecommunications service provider.³ The telecommunications service provider will collect the surcharge and remit it to the NEI support fund.

A similar program, also financed through the NEI funding mechanism, would provide NII access to public libraries.⁴ Internet access through libraries will give the general public NII access at convenient times and locations. Funding proposals submitted to the trustee by libraries should include each library's plan for both the training of librarians and seminars for the community on using the Internet access capabilities. The funds granted to the libraries by the trustee must be used to purchase telecommunications services needed to provide connections to the Internet and the NII.

Bell Atlantic's education initiative meets all the requirements of Section 254, including the provision of Section 254(h)(1)(B) regarding provision of discounts to schools and libraries that "ensure affordable access to and use of such services."⁵ Schools and libraries will receive payments from the NEI support fund equal to the nonrecurring and discounted recurring

³ If all schools elect to pursue a "Lab Model" as outlined in the *KickStart Initiative*, the monthly surcharge is expected to be about 25 cents. If all schools elected to pursue the "Classroom Model," which requires additional telecommunications services, the monthly surcharge would likely be about 35 cents. The actual surcharge will probably fall between these two figures and should be adjusted periodically to ensure that sufficient funds are available.

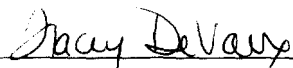
⁴ A suggested Internet access program for libraries appears in *KickStart Initiative* at 94-97.

⁵ 47 U.S.C. § 254(h)(1)(B).

charges of the telecommunications service components. This ensures that all schools and libraries receive “affordable access” to such services.

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of May, 1996 a copy of the foregoing "Reply Comments of Bell Atlantic" was sent via first class mail, postage prepaid, to the parties on the attached list.


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* Via hand delivery.

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